

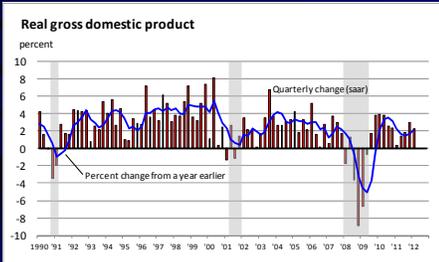
Economic and Housing Outlook

Builder 12
 Chicago, IL
 May 10, 2012

William Strauss
 Senior Economist
 and Economic Advisor
 Federal Reserve Bank of Chicago



**The "Great Recession" ended in June 2009,
 but the economy expanded by just 2.1% over the past year**



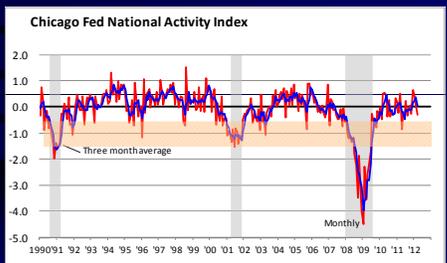
Real gross domestic product

percent

Quarterly change (saar)

Percent change from a year earlier

**The Chicago Fed National Activity Index
 3-month average is near zero**

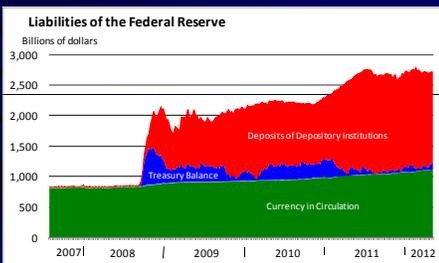


Chicago Fed National Activity Index

Three month average

Monthly

**The liabilities side of the Fed's balance sheet
 shows large amount of excess reserves**



Liabilities of the Federal Reserve

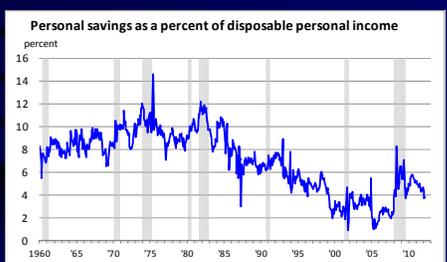
Billions of dollars

Treasury balance

Deposits of Depository Institutions

Currency in Circulation

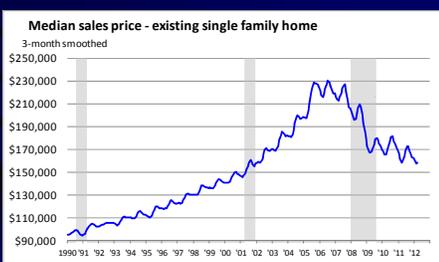
The personal savings rate has recently moved lower



Personal savings as a percent of disposable personal income

percent

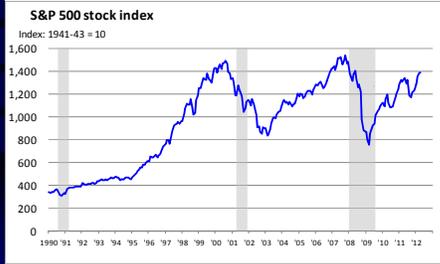
Existing home prices fell by over 30%



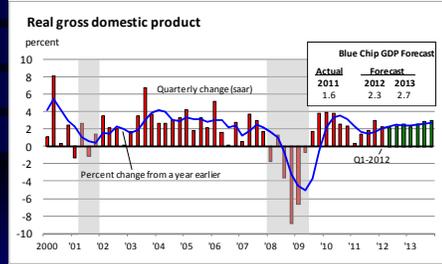
Median sales price - existing single family home

3-month smoothed

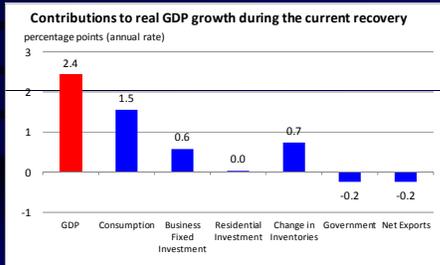
The stock market has improved since March 2009, but remains well below previous levels



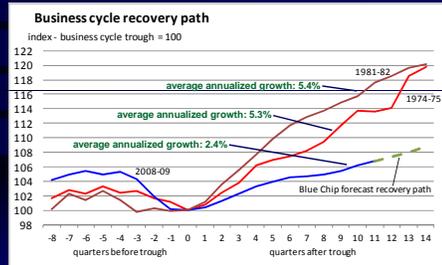
GDP is forecast to grow near trend in 2012 and slightly above trend in 2013



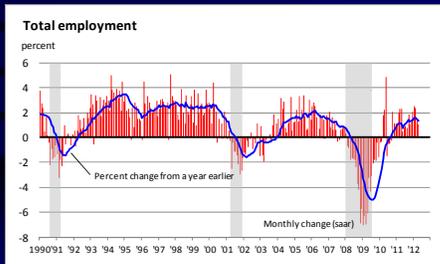
The recovery has been led by the consumer and business sectors



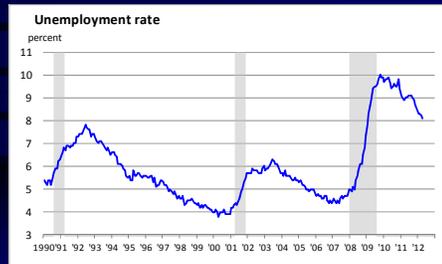
The forecast path of the current recovery is relatively muted compared with past deep recession recovery cycles

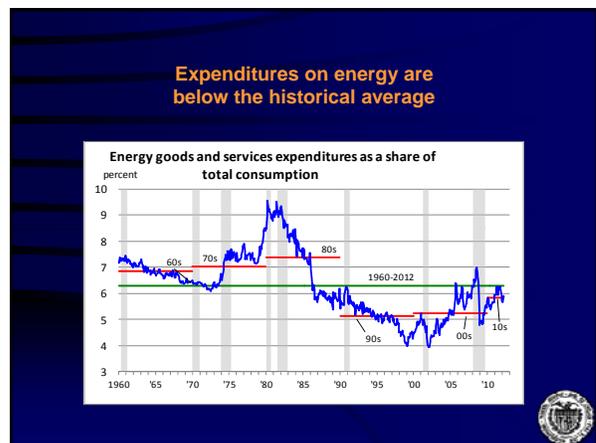
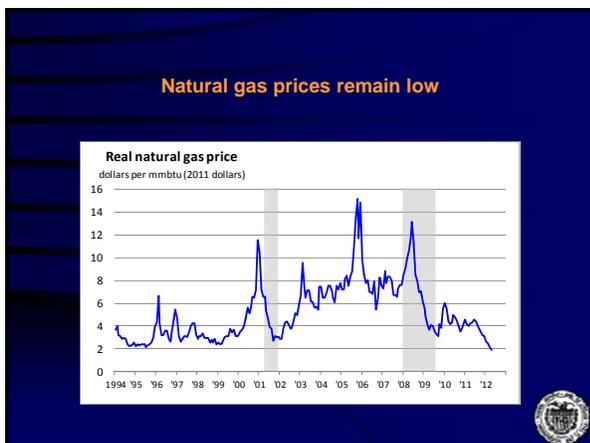
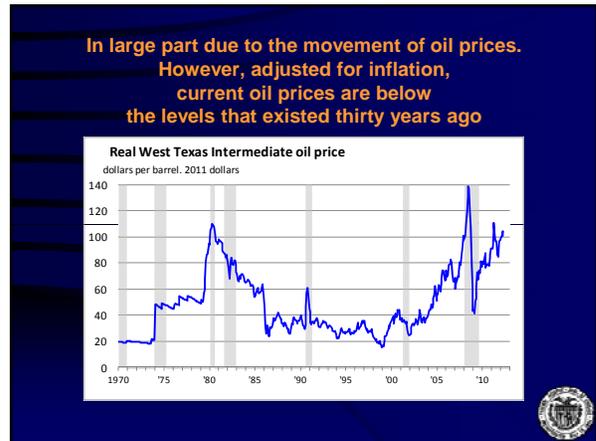
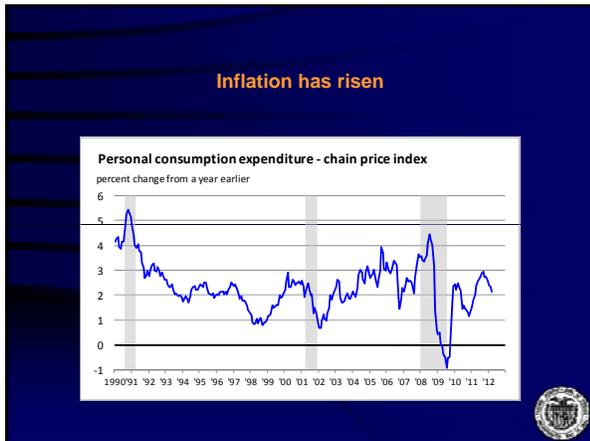
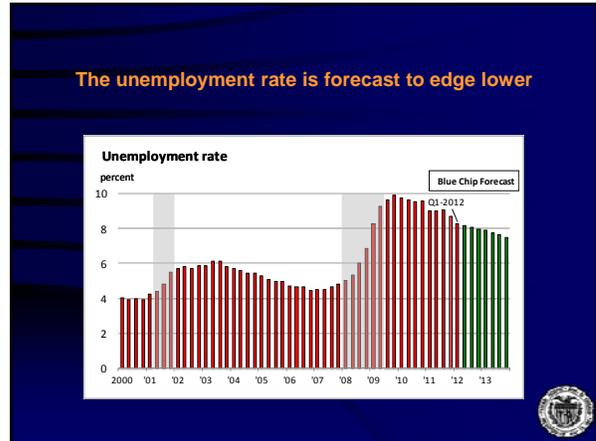
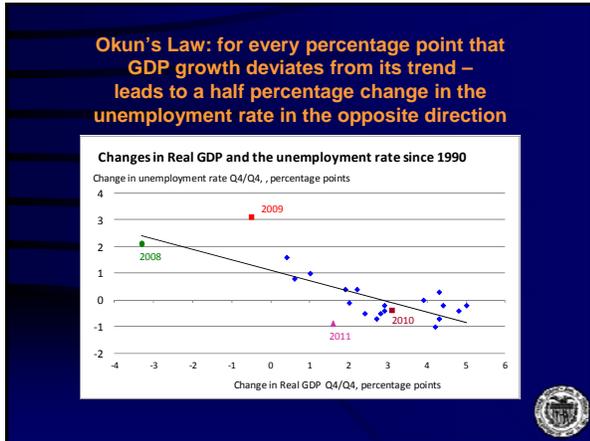


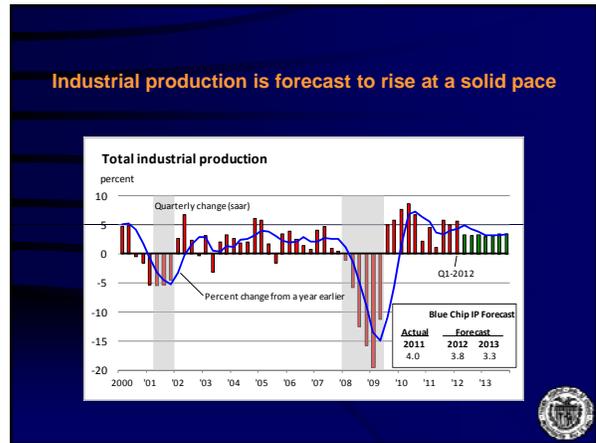
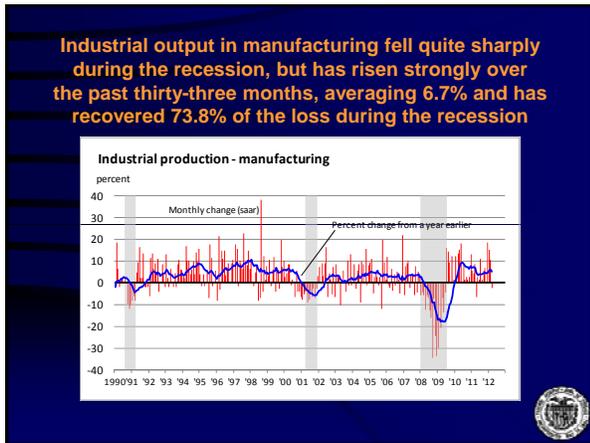
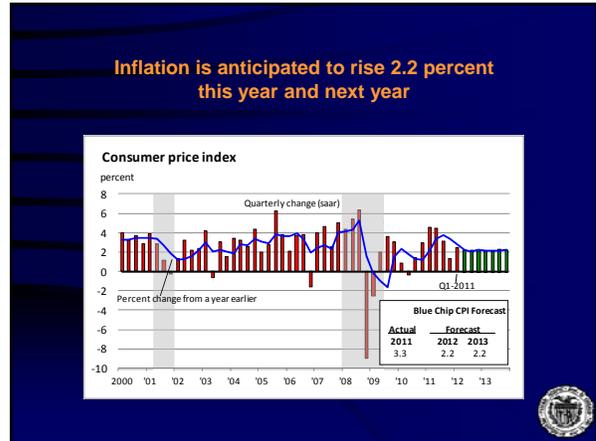
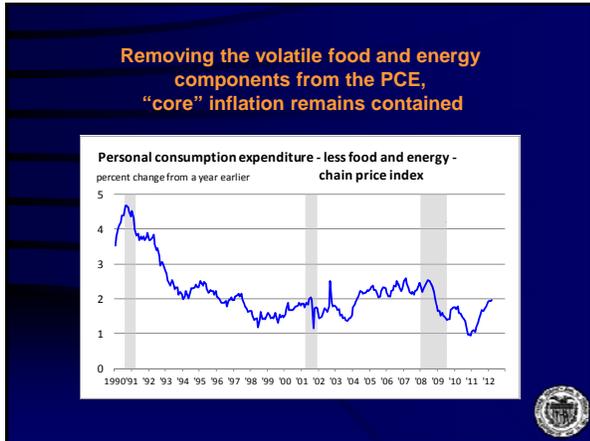
Employment fell by over 8.7 million jobs between December 2007 and February 2010, but began to rise and has added 1.8 million jobs over the past 12 months



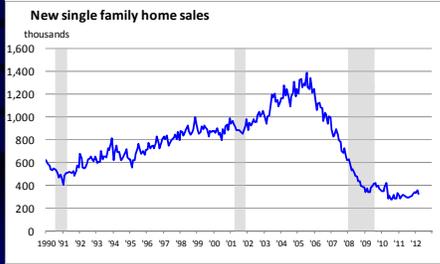
After peaking in October 2009, the unemployment rate has fallen by 1.9 percentage points



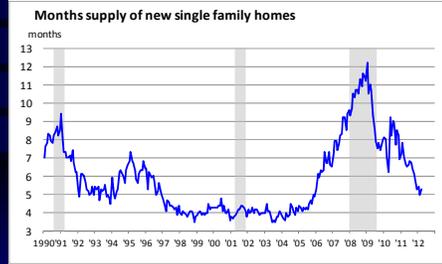




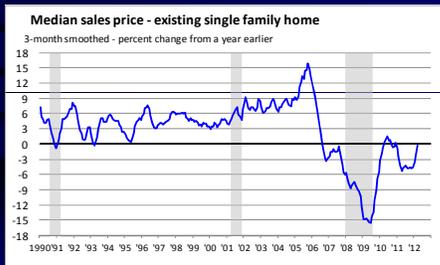
However, new home sales has yet to improve



The supply of new single family homes has fallen from very high levels



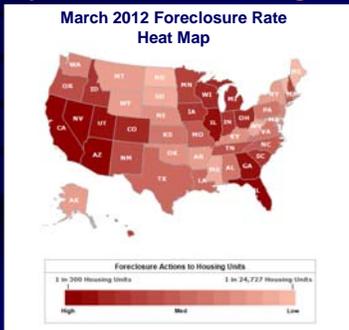
Home prices appear to be stabilizing



In the fourth quarter, home prices fell by 2.4 percent from a year earlier

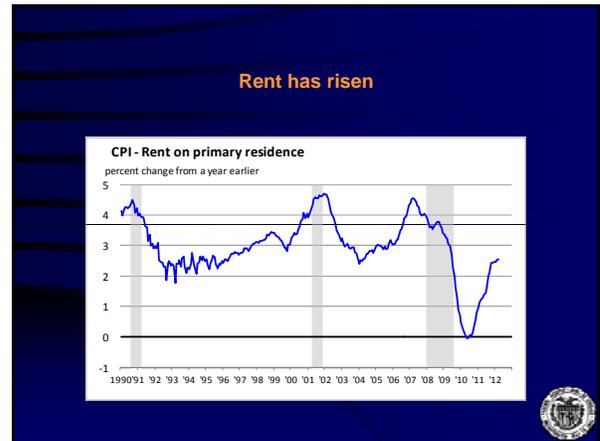
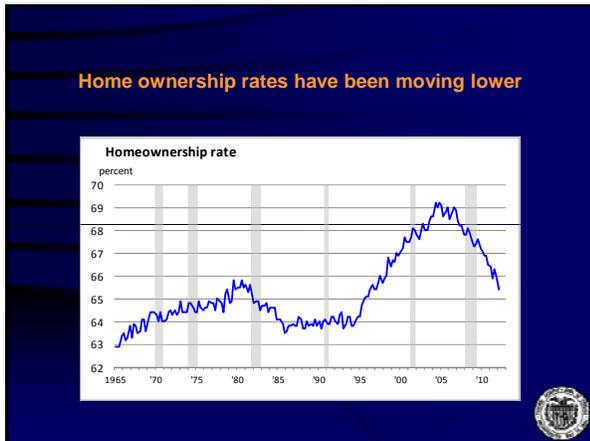
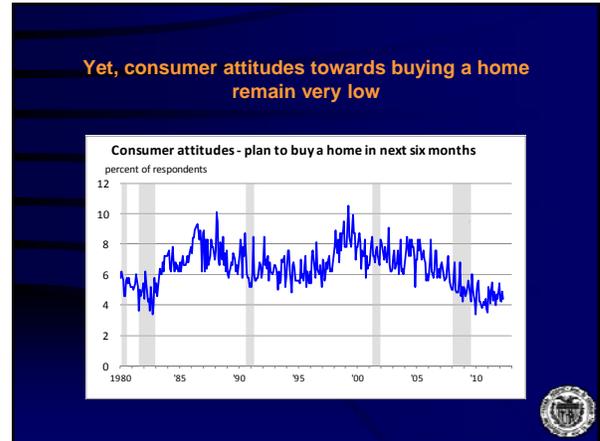
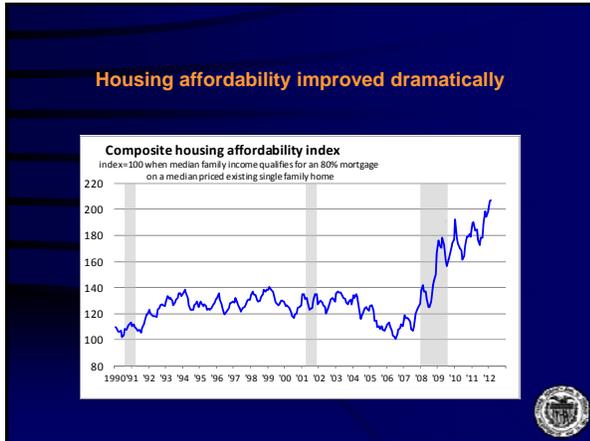


According to RealtyTrac, 1 in every 662 housing units in the country received a foreclosure filing in March 2012



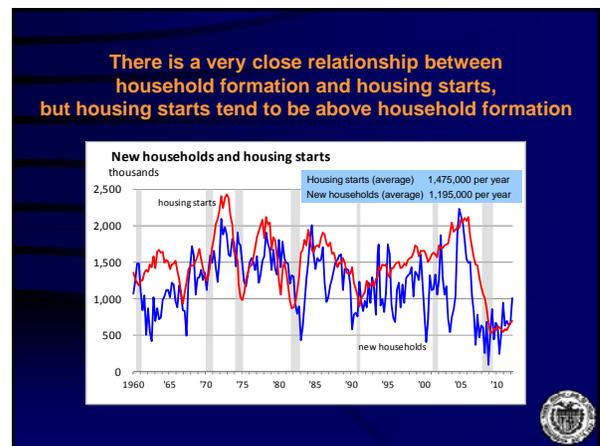
Mortgage rates continue to move lower

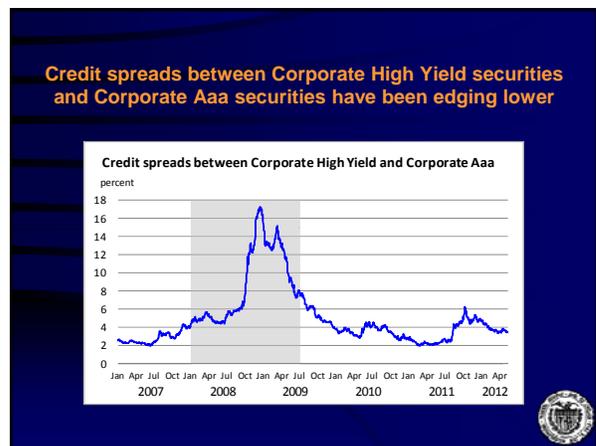
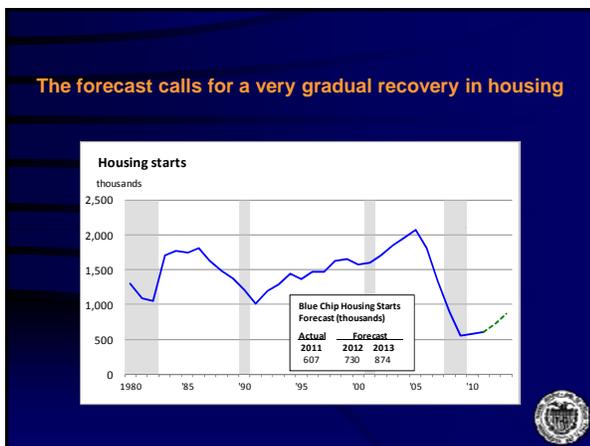
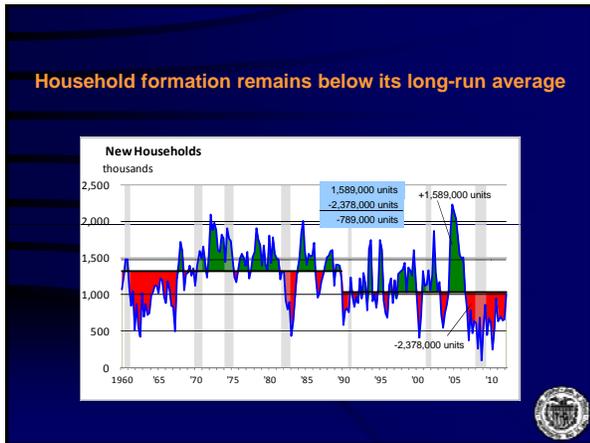
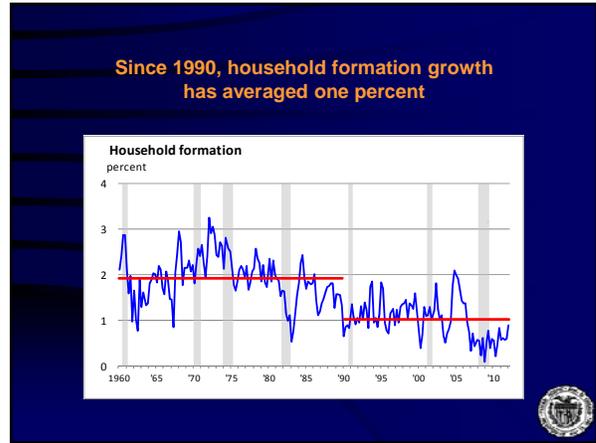




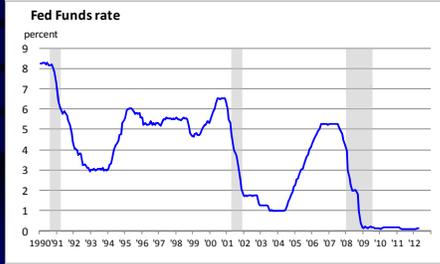
Why do you build homes?

You build homes for people

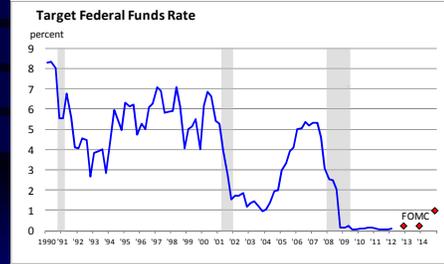




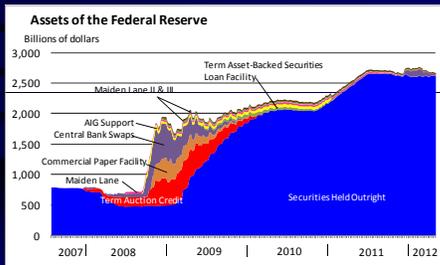
Monetary policy has been very aggressive, keeping the Fed Funds near zero since December 2008



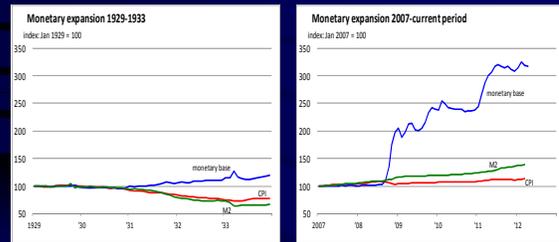
The Federal Funds Rate is anticipated to remain very low over the forecast horizon



The asset side of the Fed's balance sheet has expanded in size and in composition



The Fed's expansion of the monetary base has allowed the money supply to continue rising, compared with what took place during the 1930s



Summary

- The outlook is for the U.S. economy to expand at a pace below trend this year and slightly above trend in 2013
- Employment is expected to rise moderately with the unemployment rate edging lower
- Slackness in the economy will lead to a relatively contained inflation rate
- Housing appears to have bottomed
- Vehicle sales are anticipated to rise at a good pace
- Growth in manufacturing output should be solid

www.chicagofed.org
www.federalreserve.gov

